

6973

BY THE COMPTROLLER GENERAL



LM106548

Report To The Congress

OF THE UNITED STATES

The Department Of State Has Continuing Problems In Managing Real Estate Overseas

The State Department is responsible for acquiring, constructing, selling, maintaining, and operating about \$3 billion worth of U.S. Government-owned and leased properties in 215 cities and 135 countries. It is a huge and difficult task.

Management is fragmented and there has been ineffective use of construction funds, inadequate maintenance, increasingly higher housing costs, and unreliable real property information.

GAO makes several recommendations to improve its management.



ID-78-16
JULY 12, 1978

446973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-146782

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the Department of State's management of its overseas real estate, construction, and maintenance program. The assignment was self-initiated and subsequently modified to address certain congressional concerns about the management of overseas real estate.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and the Secretary of State.

A handwritten signature in cursive script, reading "Thomas P. Steinhilber".

Comptroller General
of the United States

D I G E S T

The Department of State's Office of Foreign Buildings is responsible for acquiring, constructing, selling, maintaining, and operating about \$3 billion worth of U.S. Government-owned and leased properties in 215 cities and 135 countries.

Managing such a huge program is a difficult task, and the Department of State is aware of the management problems it has had over the years.

The overseas construction program is not effective because of (1) a lack of reliable long-range planning, (2) poor cost estimating, (3) hesitancy to resist interference from pressures external to the Office of Foreign Buildings, and (4) insufficient technical personnel. Thus, unnecessary costs are incurred in completing projects, projects are often delayed or postponed, unplanned projects are initiated, and cost overruns and time delays are common. (See ch. 2.)

Management of employee housing is fragmented among the foreign posts, headquarter's geographic bureaus, and the Office of Foreign Buildings and lacks adequate criteria, centralized review, and a uniform policy. As a consequence, the U.S. Government is paying increasingly higher housing costs because employees are provided with housing that exceeds reasonable space standards and living quarters allowances. (See ch. 3.)

U.S. Government-owned and long-term leased properties are not properly maintained and managed due to a

--lack of technically qualified personnel
to make inspections,

--weak maintenance criteria and priorities,
and

--seriously deficient information used by both post and Office of Foreign Buildings' managers.

As a result, maintenance and repair funds are spent to rehabilitate properties which have unnecessarily deteriorated because of neglect, maintenance costs escalate, unit property values diminish, and funds are used to operate and maintain uneconomical buildings. (See ch. 4.)

Over the years, the Office of Foreign Buildings has planned to establish a real property management information system to provide the inventory and cost data necessary to the decisionmaking process and to serve as a data base for other automated subsystems. More than 8 years ago, GAO was concerned with this subject, but a reliable system is not yet in place; a State Department management information specialist estimated that it will be at least 5 more years before a reliable system is fully operational. The Office of Foreign Buildings' property books were not reliable and reflected an overall error rate of about 20 percent, or about 33,000 coding errors as of September 1976. GAO's test of these books revealed numerous inconsistencies when compared with data at the foreign posts and headquarters bureaus. An inventory list published in January 1978 indicates that there is an improvement in the recording of inventories.

The plan to develop an integrated system has been revised to a system intended to meet the needs of the Office of Foreign Buildings and the headquarters' bureaus. It is believed that subsequent linking of subsystems can be achieved through property inventory. However, officials believe that the need for additional staff, better post cooperation, and uniform reporting must be addressed before the revised plan can work effectively. (See ch. 5.)

The Office of Foreign Buildings' Architect Design Panel is responsible for reviewing, criticizing, and advising on the design of new buildings. The Panel is composed of qualified and professionally competent consulting architects who are guided by the State Department's architectural policy. In countries visited by GAO, the host governments

usually have no formal program for reviewing proposed Embassy buildings for aesthetic qualities; however, building plans are submitted to local government units to assure conformance to local building codes. (See ch. 6.)

With the recent appointment of a new Office of Foreign Buildings' Director, State has a unique opportunity to improve that Office's management. In fact, GAO observed that State is beginning to move in that direction and is making the following recommendations to assist the State Department in its efforts to improve management.

RECOMMENDATIONS

GAO recommends that the Secretary of State:

- Assign to the Office of Foreign Buildings the responsibility for developing country-by-country real estate plans and for establishing criteria for determining whether overseas real estate requirements will be best satisfied by ownership or long-term, short-term, or private leases.
- Ask the Congress for full funding to cover a project site, design, and construction. Full funding would compress the timeframe needed to complete a project and allow for a more realistic estimate.
- Issue a directive to all missions and posts that once buildings plans and projects have been approved they not be changed unless conditions change significantly. The Director of the Office of Foreign Buildings and his technical staff would have the authority to make the final decision for any necessary changes.
- Encourage the Office of Foreign Buildings to establish overseas regional offices corresponding with the State Department's geographic bureaus and staffed with architects, engineers, and real estate specialists who answer directly to the Director. (See p. 19.)

- Centralize in the Office of Foreign Buildings the funding and control of the State Department's overseas housing.
- Develop, disseminate, and use uniform criteria for reviewing and approving all leases. (See p. 31.)
- Review all present and future leases to ensure compliance with applicable space criteria and standards.
- Develop a program to provide real estate managers at the overseas posts with formal training and expertise for their positions.
- Develop informative cost-benefit analyses to support the Capital Fund concept and to determine whether it would be less costly to own or lease housing or to provide living quarters allowances. (See p. 32.)
- Establish (1) sound maintenance criteria and priorities that have been developed by technical personnel and are clearly understood by all property managers, (2) periodic inspections of properties, (3) a scheduled cycle of preventative maintenance, (4) proper cost information available to post property managers and to the Office of Foreign Buildings, and (5) followup procedures needed to maintain the properties in good condition. (See p. 40.)
- Direct overseas posts to properly submit real property inventory information to the Office of Foreign Buildings.
- Assure a proper level of staffing within the Office to carry out its property management functions. (See p. 46.)
- Have all posts report real estate information directly to the Office in order to provide control over all properties.
- Reduce fragmentation by having all real estate matters at the posts assigned to the General Services Officer.

--Have the missions establish and maintain a simple ledger-card cost accounting system on a property-by-property basis until the automated property inventory system is completed and operating acceptably. (See p. 47.)

--Instruct Office of Foreign Buildings' management officials to document, as part of the project file, how and why any particular architect is selected to design State Department buildings. (See p. 53.)

In addition, GAO recommends that the Director of the Office of Foreign Buildings require his project technical staff to obtain and use the most current data available at the missions in developing cost estimates for construction and real estate procurement. (See p. 19.)

The Department of State agreed with the thrust of GAO's recommendations, citing what it is doing or plans to do to overcome the problems noted in the report. These comments are incorporated in the appropriate sections of the report.

BLANK

C O N T E N T S

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Scope of review	2
2	FBO CONSTRUCTION PROGRAMS	3
	Lack of long-range planning	3
	Cost estimating	7
	External pressures	13
	Insufficient technical personnel	15
	Conclusions	18
	Recommendations	19
	Agency comments	19
	Our evaluation of agency comments	22
3	OVERSEAS HOUSING	23
	Lack of criteria	24
	Need to Increase Government-	
	owned housing	28
	Conclusions	31
	Recommendations	31
	Agency comments	32
4	PROPERTY IMPROVEMENTS, MAINTENANCE AND REPAIRS	34
	Maintenance and repairs	34
	Lack of criteria and priorities	35
	Costs not accumulated	38
	Other problems	39
	Conclusions	40
	Recommendations	40
	Agency comments	41
5	MANAGEMENT INFORMATION SYSTEM	42
	FBO property inventory file	43
	Change in plan	45
	Future plans	45
	Conclusions	46
	Recommendations	46
	Agency comments	47
	Our evaluation of agency comments	48

CHAPTER		<u>Page</u>
6	AESTHETIC QUALITIES OF EMBASSY BUILDINGS	50
	Types of personnel on panel	50
	Function of panel	51
	Department architectural policy	51
	Panel's method of operation	52
	Host-country review of new U.S.	
	Embassy designs	52
	Conclusion	53
	Recommendation	53
	Agency comments	53
APPENDIX		
I	Principal officials responsible for administering activities discussed in this report	54

ABBREVIATIONS

FBO	Office of Foreign Buildings
GAO	General Accounting Office
GSC	General Services Officer
LQA	Living quarters allowance
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

The Foreign Service Building Act of 1926 as amended (22 U.S.C. 292-300), authorizes the Secretary of State to acquire, construct, sell, maintain, and operate buildings abroad for U.S. diplomatic and consular establishments and representatives of U.S. Government agencies. The Secretary of State has delegated the responsibility for this program to the Director of the Office of Foreign Buildings (FBO).

FBO is responsible for about \$3 billion of U.S. Government-owned and leased properties in 215 cities and 135 countries, including (1) 262 office buildings and 303 utility buildings or warehouses valued at about \$2.8 billion, (2) about 2,900 residential units purchased for approximately \$184 million, (3) 140 residential units on long-term leases (10 years or more) costing about \$1 million a year, and (4) 3,300 residential units on short-term leases (less than 10 years) costing about \$29 million a year. In addition, about 1,500 State Department employees are receiving living quarters allowances totaling about \$7 million annually. Other U.S. Government agencies own or lease properties overseas which are not included in these figures.

FBO currently has office buildings under design and construction in Nigeria, Kenya, Senegal, Mexico, Lebanon, New Zealand, Russia, Switzerland, and Finland. During the last 5 years, a total of 27 office buildings and residential units have been renovated. Major renovations are currently being made in Cairo and Alexandria, Egypt; Seoul, Korea; Nassau, Bahamas; and New Delhi, India.

Since fiscal year 1926, FBO has been authorized about \$853.3 million in funds and nearly \$807 million has been appropriated, about \$128 million of it in foreign currency. A significant portion of FBO's funding comes from proceeds of property sales, which have totaled nearly \$122 million since fiscal year 1926.

A total of \$110.6 million was appropriated for 1978, \$7.5 million of it in excess foreign currencies. Projects for 1978 include the acquisition of 5 sites, 6 office buildings, and 10 residences; designs for 6 office-warehouse-utility buildings and 3 living units; construction of 7 office-warehouse-utility buildings, 4 Marine guard quarters,

and 6 apartments; and renovation of 4 compounds. Funds are also allocated for anti-terrorism activities and other purposes, including emergency generators.

The heads of the foreign posts are responsible for enforcing regulations concerning allotting of space, operating and maintaining properties within the funds allotted, and recommending needed improvements to properties. The principal officer of the foreign post is also responsible for identifying all properties that are excess to the post's needs and promptly requesting disposition instructions from the Director of FBO.

In January 1978, a new FBO Director was appointed.

SCOPE OF REVIEW

We reviewed the applicable laws, policies, and regulations of the foreign buildings program. We examined the available property records maintained by the Office of Foreign Buildings, regional bureaus, foreign posts in Belgium, Austria, Nigeria, Senegal, Japan, the Philippines, Indonesia, Malaysia, Brazil and Argentina and talked with officials at these locations. Site inspections of U.S. Government-owned and leased properties were also made.

At the request of the Chairman of the Senate Committee on Foreign Relations, we reviewed State Department procedures for assuring the aesthetic qualities of Embassy buildings abroad and the full propriety and cost effectiveness of FBO decisionmaking.

Chapter 2

FBO CONSTRUCTION PROGRAMS

Decisions made by FBO in carrying out its construction program overseas are not cost effective because some basic requirements for good management are not used.

FBO's construction and real estate management programs are seriously affected by (1) lack of sound long-range planning, (2) poor cost estimating, (3) hesitancy to resist interference from external pressures, and (4) insufficient technical personnel, such as engineering, construction, and real estate specialists. Consequently, additional unnecessary costs are incurred to complete projects, other projects are often delayed or postponed, unplanned projects are initiated, and cost overruns and time delays are common.

Further, authority and responsibility for evaluating and developing a country-by-country plan of space needs and how to satisfy them is not centered in one place. Therefore, the State Department does not know the total number of properties that should be owned or rented or the most economic and efficient way of acquiring needed properties.

Although the Department is aware of and has made some attempts to overcome the problems it has had in managing the program, significant problems continue to exist.

LACK OF LONG-RANGE PLANNING

The Office of Foreign Buildings has no systematic method, specific criteria, or policies for determining the best and most economical way to satisfy the State Department's overseas real estate needs. Long-range planning for each post is erratic or nonexistent. Senior personnel at the post on tours of duty for 2 to 3 years make the primary inputs to real estate and construction decisions for buildings designed to last 30 to 40 years, long after the personnel have been reassigned. Most of these personnel are not qualified or experienced in the real estate or construction fields. Consequently, construction, acquisition, and leasing of properties to meet the needs of overseas posts are not carried out in a sound and efficient way.

Our report of September 30, 1969,^{1/} made recommendations for improving the management of the State Department's overseas real estate, and State responded that improvements were to be made in planning activities, including the development of real property plans or a master plan for each country. This has not been done.

Overseas post personnel make decisions and commit funds for space needs from funds generated from various departmental sources. In an uncoordinated way, U.S. Government funds are used by the regional bureaus for short-term leased properties, by other elements of the Department to provide living quarters allowances (LQA), and by FBO to build or lease properties. State has no central focus for developing and coordinating these plans and activities, nor are policies governing these activities applied uniformly at the posts worldwide.

Planning at the posts

FBO's policy is that the overseas posts are the principal members of the Department's team for determining overseas real property requirements.

We attempted to review post planning data and plans, but none of the posts we visited had such plans. For example, in Belgium and Austria we were told that the Embassies have no long-range plans and have not made complete analyses of whether it would be less costly to own or lease properties or, in the case of housing, to provide LQA. Consequently, real estate management programs at the posts operate on a day-to-day basis, with no sound cost analyses or plans for meeting current or future needs.

Embassy officials agreed that long-range plans for real estate requirements are desirable but said that preparing such plans would require staff time and expertise which is limited or nonexistent at the posts and that State Department assistance would be needed.

In the Philippines, for example, senior Embassy officials told us they would welcome a land-use study by experts to determine the best use of the available U.S. property. Some of them want to build senior officer residences, others believe staff apartments would be the optimum use of the property. Hence ideas, criteria, and needs fluctuate, depending on the views of officials stationed at the posts

^{1/} Improvements Needed in the Management of Government Owned and Leased Real Property Overseas (E-146782).

during short tours of duty. We visited some of the properties in Manila, some of which contained a hodgepodge of buildings, including quonset huts dating back to World War II. The post has no real estate plan for the Manila properties.

In our current review, now 8 years after we were told that improvements were to be made, we found that neither the FBO or the posts we visited have a country or post real property plans nor any systematic way to determine how to satisfy these needs.

Project planning

FBO project and real estate planning is done by headquarters personnel responsible for the five worldwide areas, which correspond with State's geographic bureaus.^{1/} Each area officer tries to determine projects and priorities for construction within his own region. Data needed to establish priorities is obtained from the bureaus, correspondence and discussion with post personnel, and area officers' knowledge of post conditions gathered from their infrequent post visits. From this data, the area officers prepare 5-year project forecasts each year, from which FBO selects projects to include in the new planning budget.

These 5-year plans appear to be independent yearly exercises, sometimes not closely related to the previous or following year's projects. Projects and priorities seem to change and fluctuate widely for each new planning year. Although flexibility in planning is important, the wide fluctuation indicates that no well-thought-out plan, based on solid information, is used. Transitory influences also seem to affect systematic planning by FBO. A project which ranks high one year does not appear on its priority list the next year, even though the project was not constructed or acquired. On the other hand, a low priority one year suddenly appears at the top of the list a year later. For example, in Latin America the 5-year plans for 1976, 1977, and 1978 showed that:

--In the 1976 plan, the consulate general's residence in Guayaquil, Ecuador, was to be acquired. The 1977 plan did not mention this acquisition. The 1978 plan showed it as priority 11.

^{1/} Bureaus of African Affairs, European Affairs, East Asian and Pacific Affairs, Inter-American Affairs, and Near Eastern and South Asian Affairs.

--In 1977 the acquisition of an office building site in Kingston, Jamaica, had priority 2; in 1978 it had priority 4.

--In 1977 the acquisition of an office building site in San Jose, Costa Rica had priority 6; in 1978 it had priority 10.

--In 1977 the acquisition of an office building site in Sao Paulo, Brazil, did not appear in the plan, but it became priority 2 in 1978. In 1977, construction of the office building was priority 11, but it dropped to priority 25 in 1978.

Another example of poor planning of a State Department project is the building of the chancery in Lagos, Nigeria. In July 1974, after vacillating for over 15 years and almost losing a donated building site because of not using it, FBO placed the new chancery building on the funded list of capital projects for fiscal year 1975 at an estimated cost of \$5.2 million. During the fall of 1975, FBO assured Embassy officials that the project had top priority in Africa and that the financial plan included \$8.8 million for the project. In December 1975, FBO notified the Embassy that funds available for the project were limited to \$7.5 million, with no possibility for increase and that, since the lowest bid received was \$8.8 million, the original building project had been canceled. In January 1976, FBO stated that, despite figures previously mentioned, only \$2.5 million was available for the project because the balance had been committed for projects in Geneva and Nairobi. FBO advised the Embassy in April 1976 that a construction management contract had been awarded to an American contractor to help the Government construct a 4-story office building costing about \$2.5 million. The contract provided for a completed ground floor and a shell for the remaining floors, which would be completed in the future. In March 1977, the project plan was amended to provide for completing the shell at an estimated total project cost of \$5.5 million.

In 1977, FBO began to use a numerical priority rating system for its projects based on such factors as morale, health, safety, and political expediency. The system is still too new to evaluate how well it will work.

CGST ESTIMATING

FBO's estimations of capital project costs prepared for budget and congressional justification are seriously understated and as a result many complex management problems are created because (1) construction costs are overrun, (2) projects are deleted or delayed to a later time but built at a much higher cost, and (3) design drawings and sites are purchased and not used. All these factors drive up costs to the Government.

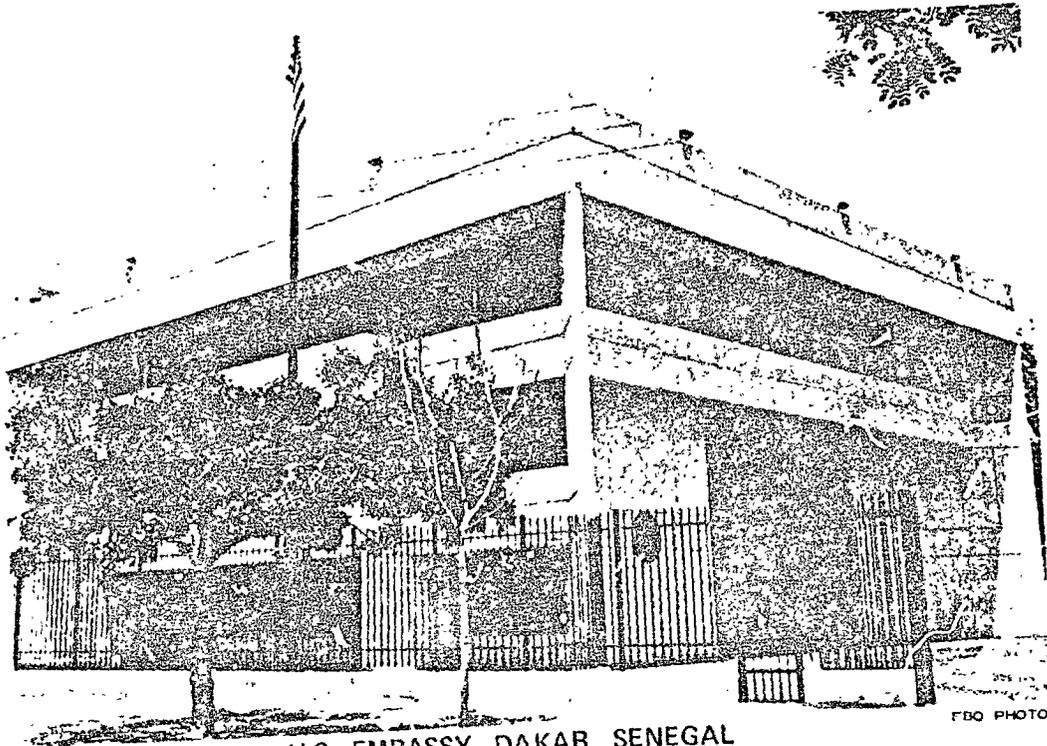
We reviewed the budget justifications for capital projects from 1970 to 1977. FBO's average construction project requires 5 to 7 years to complete, from beginning to acceptance at the post.

Cost overruns

Most of the capital projects initiated and constructed during 1970-77 had substantial cost overruns when measured against the FBO budget justifications to the Congress, as shown in table 1.

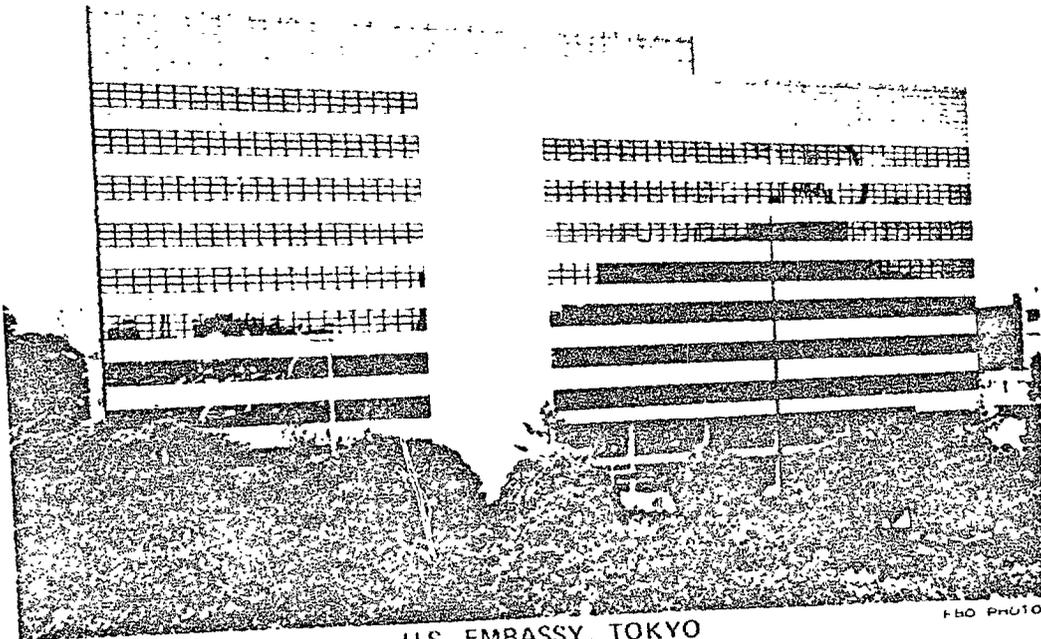
Table 1

<u>Project</u>	<u>Budget</u>	<u>Completion</u>	<u>Overrun</u>	<u>Percent overrun</u>
Dakar Office Building (completed June 1977)	\$ 1,000,000	\$ 2,956,423	\$ 1,956,423	195
Tokyo Office Building (completed Aug. 1976)	8,500,000	16,195,000	7,695,000	91
Nairobi Office Building (estimated completion June 1979)	2,000,000	5,580,600	3,580,600	179
Seoul Office Building (completed May 1977)	300,000	753,200	453,200	151
Wellington Office Building (completed June 1977)	900,000	2,261,242	1,361,242	151
Bern Embassy Residence (completed Aug. 1975)	100,000	186,464	86,464	86
Lagos Office Building (completed June 1978)	3,900,000	5,643,714	1,743,714	45
Niamey Complex (completed Jan. 1970)	485,000	1,266,154	801,154	165
Bogota Office Building (completed Mar. 1972)	2,100,000	3,272,736	1,172,736	56
Montevideo Office Building (completed Nov. 1969)	2,000,000	3,083,870	1,083,870	54
Buenos Aires Office Building (completed July 1977)	<u>3,380,000</u>	<u>8,771,339</u>	<u>5,391,339</u>	160
Total	<u>\$24,665,000</u>	<u>\$49,990,742</u>	<u>\$25,325,742</u>	103



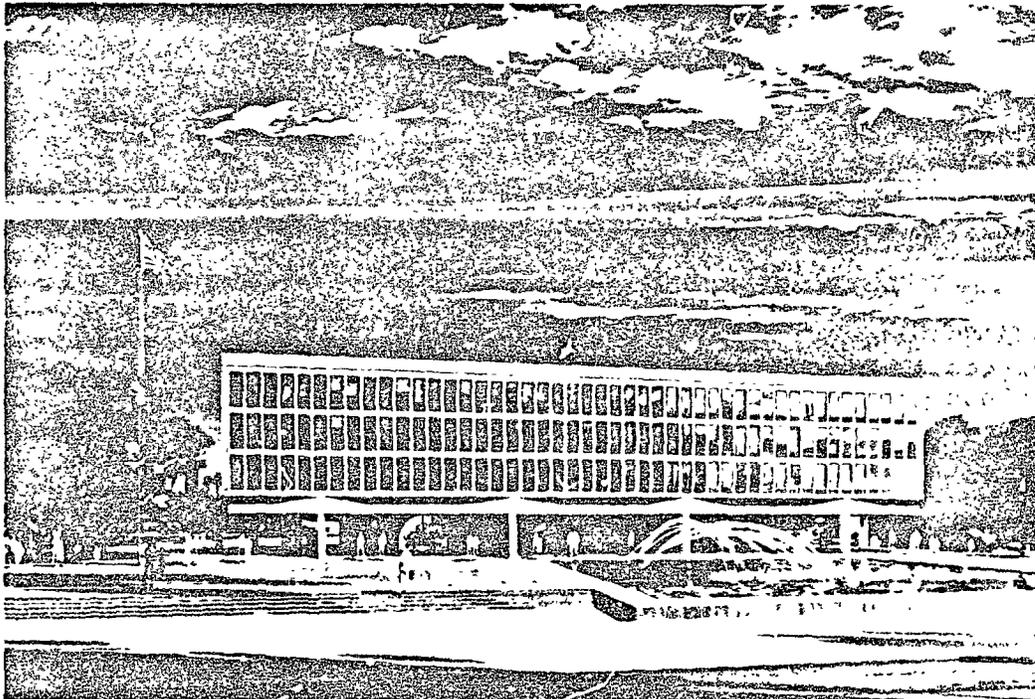
U.S. EMBASSY, DAKAR, SENEGAL

FBO PHOTO



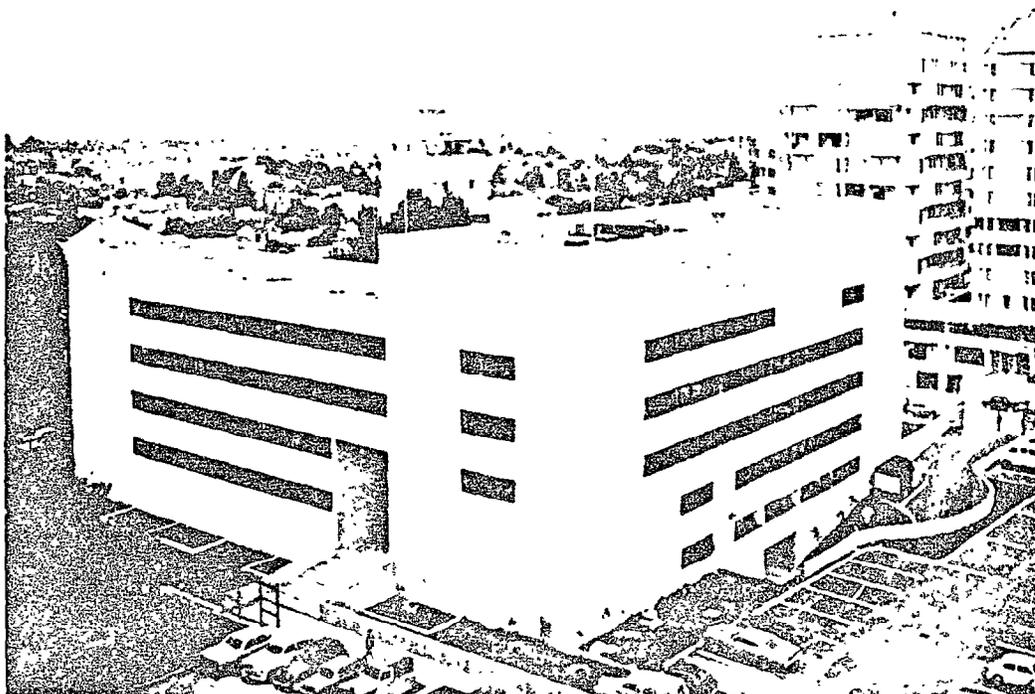
U.S. EMBASSY, TOKYO

FBO PHOTO



U.S. EMBASSY, MONTEVIDEO, URUGUAY

FBO PHOTO



U.S. EMBASSY, BOGOTA, COLOMBIA

FBO PHOTO

Further, in no fiscal year during this time did FBO achieve or initiate all the projects shown in its congressional budget justification. In fiscal year 1970, for example, 12 projects were shown at an estimated cost of \$2,063,000 but only 3 (25 percent) were initiated or completed, as shown below.

	<u>Projects</u>	
	<u>In budget</u>	<u>Initiated or completed</u>
New construction	3	0
Projects to be completed	5	2
Project design	3	1
Acquisition/purchase	<u>1</u>	<u>0</u>
Total	<u>12</u>	<u>3</u>

During the 8 fiscal years, project initiations or completions were:

<u>Year</u>	<u>Percent</u>
1970	25
1971	75
1972	14
1973	23
1974	22
1975	8
1976	9
1977	50

Therefore, projects indicated in the FBO budget and projects actually accomplished differed substantially. There are various reasons for this, but shifting of funds from project to project because of poor estimating greatly contributed to this performance.

Project delays

When project costs exceed budgeted amounts, funds are shifted to complete ongoing projects and other projects are deleted or delayed. Deleted projects are sometimes started at much later dates and at higher costs because of inflation or other cost growths, as the examples below illustrate.

--The Georgetown, Guyana, office building appeared in the fiscal year 1974 budget at an estimated cost of \$470,000. In May 1974 a survey made under an FBO contract estimated the cost at \$1.1 million. One bid for about \$2 million was received on the project, but this exceeded FBO's available funds. The project is now reprogrammed for fiscal year 1980, with construction for 1981, at estimated construction costs of \$4.3 million versus the \$470,000 budgeted in 1974. We were informed by FBO that the requirements for this office building in Guyana have not changed since 1974.

--The Helsinki office building was planned in fiscal year 1965 at an estimated cost of \$800,000. Construction was deferred, and in the fiscal year 1978 budget the estimated cost was \$6.8 million versus the \$800,000 of fiscal year 1965.

Design drawings and sites

Because funds are shifted to complete higher priority or ongoing projects, design drawings and sites accumulate and become obsolete or inadequate and must be updated, exchanged, or sold. For example:

--The Georgetown office building drawings were contracted for in November 1972 at a cost of \$46,862, which was subsequently increased to \$52,943; the building is not planned for construction until 1980 (8 years later) and based upon FBO's past experience the plan probably will have to be reworked or updated at extra cost.

--A site was purchased in 1964 for \$150,000 in Kuala Lumpur, Malaysia, for an office building but never used because funds were not available. We were told that now the site is inadequate and the mission and FBO are trying to exchange it for another. Nevertheless, plans are being made to design and construct an office building on the site. It seems unreasonable to proceed with designs for a building on a site considered inadequate.

During fiscal years 1970-77, 33 architect and engineering design contracts were made at a cost of about \$2.7 million; 13 of the 33 designs costing \$591,000 were not used. The designs were not used for various reasons, including politics, civil wars, personal preferences of Ambassadors, and also because they were hastily initiated before all the facts concerning the project were known.

FBC has an inventory of 59 unimproved sites as reported in its inventory book of owned properties which cost the U.S. Government \$5,355,000. There are plans for using 10 of these sites but no current plans for the other 49. Some sites have been held for more than 50 years, as shown below.

<u>Number of sites</u>	<u>Years held</u>	<u>Original cost</u>	<u>Cost to date</u>
17	1 to 9	\$ 797,097	\$1,287,996
20	10 to 19	2,221,948	3,056,104
7	20 to 29	325,347	635,731
11	30 to 39	174,528	202,496
1	40 to 49	170,000	170,000
1	50 to 59	2,421	2,421
<u>2</u>	Unknown	<u>838</u>	<u>838</u>
<u>59</u>		<u>\$3,692,179</u>	<u>\$5,355,586</u>

The unused sites are accumulated in various ways including donations and purchases. However, it seems unreasonable to accumulate and hold sites with no plans for their use in the near future.

Cost-estimating method

Cost estimating for future construction is difficult because of such unpredictable factors as weather and inflation. To arrive at an estimate, FBC currently uses a combination of sources, including a guide it developed in 1967 and various publications.

1. "U.S. Public Building Costs," a Department of Commerce publication showing square foot cost for recent buildings.
2. A Department of Defense Cost Review Guide, a publication based on Defense's costs of construction.

3. Cost inflation data obtained from a variety of sources, such as construction magazines and publications.

As shown in table 1, FBO's record of cost estimating indicates a trend of underestimating its projects substantially. We believe that FBO can improve its estimates by obtaining more current and realistic data from the mission where the construction project is being planned. The economic or commercial attache can give FBO the cost per square foot of recently constructed buildings, including labor, materials, inflation rates, and other pertinent data. To these figures, FBO should add a percentage factor based on its own experience in building costs over the last 5 years. We believe this would produce a more realistic cost estimate than the obsolete and fragmented material now used.

Further, we believe FBO should consider asking the Congress for full funding to cover the project site, design, and construction. Full funding would compress the timeframe needed to complete the project and allow for a more realistic estimate.

EXTERNAL PRESSURES

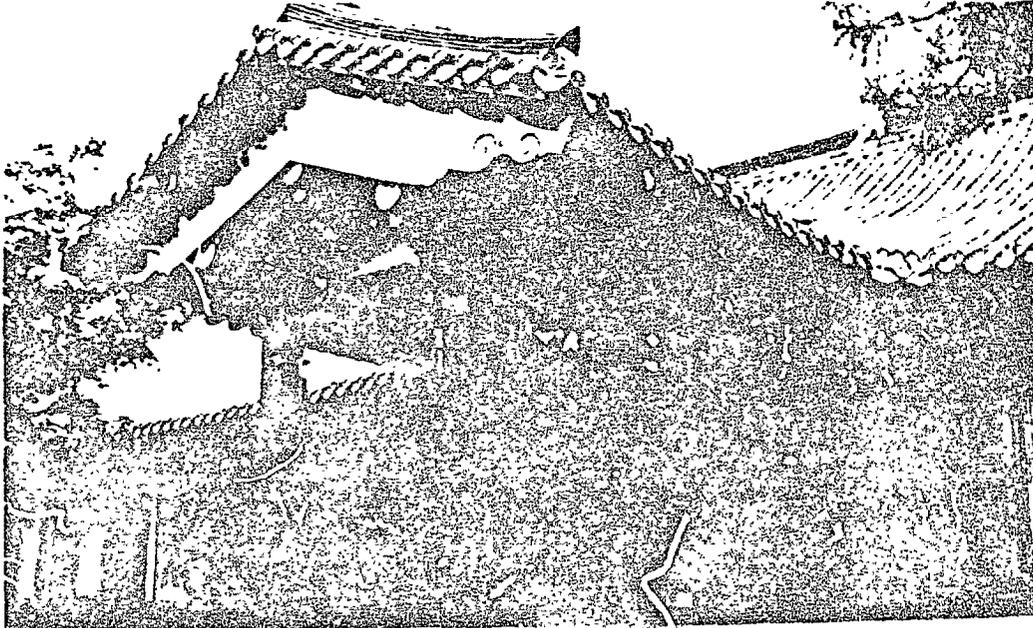
Orderly and efficient planning and execution of construction projects is at times hindered by interference from Ambassadors and senior officials, sometimes to satisfy their personal desires.

FBO is the State Department's technical organization, which should be able to provide a specialized technical service to the post to construct, acquire, maintain, or advise about the Department's real estate within the limited resources provided to it.

When resources are wasted for any reason, other building requirements are postponed or not filled at all. Examples of the types of interference which have occurred are as follows.

- Manila Embassy Residence. In fiscal year 1970, \$400,000 was budgeted by FBO for construction of the Embassy residence. Design drawings costing \$30,000 were paid for but not used, we were told by an FBO official, because the Ambassador did not like the design. In August 1970, FBO spent \$500,000 to purchase an Embassy residence.

--Seoul Embassy Residence. In fiscal year 1976, FBO budgeted \$50,000 to rehabilitate the Embassy residence. Before the project was completed in late 1976, FBO spent about \$1.1 million. We were told by an FBO official that the Ambassador pressed FBO to do a complete restoration, having much of the wood structure custom reproduced by a local architect and craftsman.



EMBASSY RESIDENCE, SEOUL, KOREA

FBO PHOTO

- Kabul Embassy Residence. After FBO had a design prepared for the Embassy residence, we were told by an FBO official that the Ambassador did not want the new residence. The record shows that there was a design development contract for \$21,300.
- Tehran Office Building extension. We were told by an FBO official that the Ambassador did not like the plans for the extension and the design was scrapped. Records were not available on the cost of the first design. Records show that costs for a second design amounted to \$93,157.

--Helsinki Office Building. The building was originally planned for fiscal year 1965 at a cost of \$800,000. However, the design contract was awarded by FBO in January 1975 at a cost of \$157,850 and building costs are estimated at \$6.8 million. The design is complete, FBO and a panel of architects have approved it and the city of Helsinki committee has no objections to it. However, the current Ambassador is resisting the design because of the use of bronze facing on the building.

It is unreasonable and costly to stop, change, or interfere in a project once it is in process, except for reasons which have foreign policy implications or when a significant change of conditions has occurred.

State Department buildings are designed for long years of use by the Foreign Service and should not be subject to the individual preference of an official who happens to be stationed at the post when a structure is being designed or built.

We believe that all elements of the Foreign Service should be consulted when a building is planned for a mission. However, once the opinions are accepted or rejected under acceptable criteria, design and construction should be left to the architects and construction contractors.

Architecture, construction, and real estate should be the concern of specialists who can provide the most cost-effective and proper buildings to enable the Foreign Service to perform its job overseas.

INSUFFICIENT TECHNICAL PERSONNEL

The FBO does not have sufficient technical staff to inspect, maintain, and advise the 250 overseas posts where the U.S. Government has property holdings valued at about \$3 billion. This is evidenced by the fact that properties are deteriorating because of improper maintenance, unecological properties are being operated and maintained, and post administrative officers are entering into construction contracts without proper technical knowledge to protect the Government interest, all of which results in increased costs to the U.S. Government.

As of December 1977, FBO had a staff of 93 persons and 22 of them were stationed overseas; only 45 members of the staff are professional technicians. FBO does not perform the actual construction in the field but depends on contractors and the overseas local maintenance staff to carry out the specific projects and to maintain and repair properties.

General Services Officers (GSOs) and administrative personnel at the post are usually experienced management personnel, but they lack the technical qualifications or knowledge concerning construction, which can be costly to the Government. For example, when we visited Manila we found a renovation construction project which got out of control because mission personnel lacked the technical knowledge to identify and understand the serious defects in a design contract entered into for the Department. The project involved the construction and renovation of the consular building in Manila. The following events occurred during 1976 and 1977.

1. we were informed by an FBO official that at the insistence of the Ambassador, FBO initiated the renovation of the consular building. This was an unbudgeted request for \$123,000, which then escalated to over \$330,000.
2. The post administrative personnel entered into a contract with an architect in Manila, to prepare design drawings for the structure, but the architect turned out to be unqualified.
3. Contrary to instructions, which required specifications, the post did not get specifications and obtained bids based on the inadequate and faulty design drawings and entered into a contract to build the structure.
4. FBO sent an engineer from Bangkok to look at the Manila project. He reported by cable to FBO that "Review of structural design analysis in conjunction with contract drawings revealed several discrepancies and omissions which are very critical to the structural integrity of new consular additions in open court. New stairs and

new steel trusses over Veterans Administration Claimants room are involved. Errors in translation of structural design analysis to working drawings are of such magnitude as to raise serious doubts as to the technical competency of the architect. Further, investigation of firm reinforces doubts. Extensive revisions and further refinements of existing plans will be required before work resumed." The FBO engineer ordered work on the project to be stopped.

5. The FBO engineer explained that some of the most noticeable problems in the design were that the size and location of the footing was wrong, the expansion joint was faulty, the prestressed concrete roof panels would probably collapse, and the air conditioning was inadequate and probably would not work anyway.
6. The post officers were unaware that the plans were incomplete and inadequate because they lacked the technical knowledge to identify the deficiencies. As a consequence, cost for the project escalated to a current \$330,000, the design drawing had to be redone, and structural errors had to be corrected.

In the 1950s, FBO maintained regional offices overseas staffed with technical personnel to survey, acquire, and inspect properties and to provide technical advice on property maintenance, repairs, and improvements. The personnel also disposed of unneeded property. They traveled frequently in their assigned regions, becoming familiar with construction and maintenance problems and knowledgeable about contractors and real estate matters. They kept FBO informed on the design, construction, and renovation of U.S. buildings worldwide. These regional offices were closed in the 1960s, but the records do not indicate why. After discussions with mission personnel and FBO officials, we believe that having regional offices close to the regions to be served is one good method for FBO to provide essential technical services to the missions. Top State Department management officials also expressed this belief in a memorandum in August 1976, but no action has been taken to date on their recommendations.

Should FBO regional offices be reestablished overseas, we believe the staff should consist of engineers and construction and real estate specialists rather than Foreign Service generalists so that the technical knowledge desired by mission personnel can be quickly available. Our discussions with administrative personnel at the mission confirmed this belief. The mission officials believe that, in most cases, they can do whatever a General Services Officer at a regional office can do and that having GSOs there would only add another layer of officials requiring their attention in addition to the area officers in FBO and the Bureau officials in Washington.

CONCLUSIONS

We believe that the authority and responsibility for developing real estate space requirements and preparing country-by-country plans should be centered in FBO. FBO should undertake to develop such plans, based on solid information from the posts, bureaus, or other sources and supported with cost-benefit studies, to determine when and where the State Department should invest in overseas construction and/or long-term, short-term, or private leases.

FBO, to a large extent, does a poor job of cost estimating for its projects because of the fragmented and obsolete data used to make its estimates. FBO should use more current data available from post economic or commercial officers at missions where projects are to be constructed or purchased and use its actual cost-experience data from projects completed. These two factors should improve FBO's cost estimating for new projects.

We believe that, after projects have been approved, FBO should have the final authority, responsibility, and capacity for acquiring real estate and for construction overseas without interference from post officials.

FBO does not have adequate technical staff nor proper staff distribution to provide the missions with the necessary advice and management for the Department's worldwide properties.

We believe that one way in which FBO could satisfy this need is to reestablish regional offices overseas, corresponding with the Department's geographic bureaus, staffed with architect/engineering and real estate specialists capable of surveying, acquiring, inspecting, and selling properties and providing technical advice for

maintaining, repairing, and improving properties. These regional offices should keep FBO informed about design, construction, and renovation of U.S. buildings to help FBO plan and manage its worldwide building program.

RECOMMENDATIONS

We recommend that the Secretary of State:

1. Assign to the Office of Foreign Buildings the responsibility for developing country-by-country real estate plans and for establishing criteria for determining whether overseas real estate requirements will be best satisfied by ownership or long-term, short-term, or private leases.
2. Ask the Congress for full funding to cover the project site, design, and construction. Full funding would compress the timeframe needed to complete the project and allow for a more realistic estimate.
3. Issue a directive to all missions and posts that once building plans and projects have been approved they not be changed unless conditions change significantly; the Director of the Office of Foreign Buildings and his technical staff would have the authority to make final decisions for any changes necessary.
4. Encourage the Office of Foreign Buildings to establish overseas regional offices corresponding with the State Department's geographic bureaus and staffed with architects, engineers, and real estate specialists who answer directly to the Director.

We also recommend that the Director of the Office of Foreign Buildings require his project technical staff to obtain and use the most current available data at the missions in developing cost estimates for construction and real estate procurement.

AGENCY COMMENTS

The Department of State commented as follows on the recommendations. (The numbers correspond to the recommendation as listed above.)

- i. "FEO is assigned the responsibility of developing country by country real estate plans.

"Such surveys have been, or are in the process of being, undertaken in Japan, Korea, Mexico, the Philippines, Nepal, Paris, London, and Budapest.

"FEO has assigned a senior officer full-time to these surveys and is in the process of developing a systematic, formalized approach to post real property surveys based upon questionnaires and reports filled out by each survey team. FEO is also developing a priority list of posts to be surveyed and will schedule as many as possible this calendar year.

"The determination of whether property should be owned, long-term leased, or short-term leased is based upon several factors of which cost to the U.S. Government is of considerable importance. The Office of Management and Budget [OMB] requires FEO to analyze each proposed USG purchase or construction as to whether it is to the benefit of the USG to own or to lease. The OMB formula was developed for domestic real estate analysis.

"FEO is examining this formula in terms of foreign real estate markets, rates of inflation, and changing exchange rates. Information has already been requested for real estate inflation rates at those posts where projects for FY 80 are being proposed, and data on inflation and exchange rates from the International Monetary Fund are being analyzed.

"These analyses will be presented to OMB with the FY 1980 proposed budget."

2. "There is considerable merit in asking for full funding to cover site acquisition, design, and construction. Such funding would permit FEO to proceed in a normal project development operation rather than having to wait for an appropriation to undertake the next step.

"This process, however, has an important caveat; namely, the need for cost estimate revision based upon data being refined subsequent to the original estimate. Each year's appropriation, therefore, should include a lump sum revision to reflect these cost estimate revisions.

"This process would also require, in the first two or three years, a capital program greater than in previous years if the same capital program level were to be continued. For example the FY 79 capital program request of \$50,215,000 would have had to have been increased by \$77,276,000 were this procedure followed."

3. "Several years ago, the FBO Director was instructed not to change approved plans unless conditions changed significantly. This continues to be the policy of FBO. No modification of a significant nature in either the program for the building or the plans for the building may be made without the approval of the Director.

"The Deputy Under Secretary for Management has agreed to inform all posts that although FBO will draw heavily on input from the posts in determining the size and character of buildings, FBO has the final authority and posts may not alter FBO's plans."

4. "Regional offices would be very desirable. FBO, however, does not have the authorized positions to establish them.

"FBO had regional offices until the early 1960's; they proved to be an effective means of supervising the management of State Department property. Regional offices would be particularly effective in improving post performance in maintenance and repair and in improving the accuracy of construction cost data. Five regional positions have been requested for FY 80."

The Department of State also noted that the "FBO will develop forms and instructions for use by economic and commercial offices in reporting data on matters such as construction costs, real estate markets, real estate inflation, and other data of use by FBO in planning and estimating building projects."

OUR EVALUATION OF AGENCY COMMENTS

In regard to the Department's response to item two, we recognize that there may be a need to refine the original cost estimate as more current and accurate data becomes available near the construction implementation phase of the project. However, the large cost underestimates should be much diminished because project planning and implementation would be concentrated and the building should be completed over a much shorter period of time.

In the example which shows an increase of \$77,276,000 in the fiscal year 1979 capital program, FBO assumes that the capital program of 4 years into the future would all be moved to the fiscal year 1979 budget, which would be unrealistic. We believe that the \$77,276,000 capital program should be divided more evenly over the 4-year period (1979-1982) and that each project should be fully funded during this time span rather than be developed on a piecemeal basis. We believe that the full-funding concept would not create a need for additional expenditures but would lead to a better and more efficient use of funds for the capital projects.

CHAPTER 3

OVERSEAS HOUSING

Responsibility for managing Department of State employee housing overseas is fragmented among the overseas posts, the geographic bureaus, and the Office of Foreign Buildings. The present management system does not provide adequate criteria for the size and cost of housing or for a centralized review and centralized uniform housing policy. Consequently, the Department does not get the most efficient and economical return for its housing dollar.

The U.S. Government is paying increasingly higher housing costs because employees are provided with housing that exceeds reasonable space standards and living quarters allowances. State Department documents indicate that rental costs have increased 20 to 25 percent each year for the past 3 or 4 years. The State Department should have a uniform policy and criteria for housing and a central review and control of finances for overseas housing to effectively manage worldwide housing.

FBO is responsible for funding and controlling long-term leased and Government-owned property, while the Department's five geographic bureaus are responsible for short-term leased properties. The overseas posts have been delegated responsibility for short-term leased properties costly under \$25,000 per year, and FBO is responsible for approving those in excess of \$25,000.

Employee housing overseas for fiscal year 1977, was provided as shown below.

<u>Type of housing</u>	<u>Number of Units</u>	<u>Original cost</u>	<u>Annual rental</u>	<u>LCA</u>
		-----(millions)-----		
Government-owned	2,900	\$184		
Long-term lease	140		\$ 1	
Short-term lease	3,300		29	
Living quarters allowance	1,500			\$7

LACK OF CRITERIA

Each post attempts to develop its own housing criteria. Size and space seem to be reasonably basic standards to use as housing criteria. FEO has established space guidelines for construction of new housing but has developed no criteria to serve as a guide for determining leased housing space. The bureaus have developed no housing criteria for the posts. Bureau personnel told us that the judgment of the post staff is the main criteria used to select housing within funds available to the post.

Because the posts are responsible for executing short-term leases not exceeding \$25,000 annually for less than 5 years without prior approval, most of the \$29 million annual residential space has been obtained without headquarter's approval. The Department of State has not established systematic review procedures to assure that all available alternatives have been considered in satisfying its space needs abroad. The Department should institute criteria for the posts to use in deciding on the best alternatives and should monitor the posts' efforts to satisfy housing needs.

Each post establishes its own housing policy in conjunction with the policies of its respective bureaus and generally allows personnel to select property that suits their needs. The posts in Africa use short-term leases for employees who are not provided with Government-owned or long-term leased properties and no living quarters allowances are provided. In Europe, Government-leased quarters are provided for most top-level employees and LQA for lower grades. The Latin American posts provide senior employees who have representational responsibilities with Government-owned or leased properties and pays LQA to other employees. The posts in East Asia and Near East Asia use a combination of these plans.

FBO criteria versus actual space needs

Much of the housing provided exceeds FBO's new-construction criteria. Because no criteria has been established for leased-housing size, we used the FBO's new-construction criteria to compare the actual sizes of State Department-provided housing.

In Brussels, 67 percent of the housing, composed primarily of private or short-term leases, did not exceed the

criteria on a unit basis. The 33 percent of the housing units that exceeded the criteria included those of

- 2 of the 3 Ambassadors' residences,
- all 3 Deputy Chief of Mission residences,
- the Consul General in Antwerp,
- 8 of 11 senior officers,
- 6 of 10 Information Agency quarters, and
- 25 of 117 staff quarters.

From a random sample, based on needs and family size of 30 individuals living in the staff housing, 13 (43 percent) had more space than their family sizes required and 11 (37 percent) had more bedrooms than needed.

Our cost analysis in Brussels showed that (1) additional space for leased quarters increased annual leasing costs by about 14 percent, (2) senior officer residence costs were excessive, and (3) additional space for individuals occupying privately leased residences influenced the cost of LQA.

Based on a review of leased quarters, the Embassy in Brussels was spending about \$120,000 annually for excess housing space, as shown in table 2.

Table 2

<u>Type of housing</u>	<u>Units</u>	<u>Amount of space</u>		<u>Annual cost per sq. ft.</u>	<u>Total annual cost</u>		<u>Difference</u>	<u>Percent</u>
		<u>Actual</u>	<u>Standard</u>		<u>Actual</u>	<u>Standard</u>		
Senior officer residence (note a)	11	48,807	33,110	\$4.14	\$202,196	\$137,075	\$ 65,121	47.5
Information Agency quarters (note b)	9	30,008	24,040	3.48	104,307	83,659	20,648	24.7
Staff housing (note c)	121	153,343	145,240	4.23	648,826	614,365	34,461	5.6
Total	141	232,158	202,390		\$955,329	\$835,099	\$120,230	

- a/ Excludes Ambassadors and Deputy Chiefs of Mission.
- b/ Excludes one vacant residence.
- c/ Projection based on a random sample of 30 apartments.

Lease costs for senior officer residences were also excessive compared to the LQA which would have been authorized for the senior officers. For example, 6 of 11 senior officers occupied quarters costing an average of 10 percent and as much as 53 percent more than the maximum LQA. A similar comparison of both Information Agency and staff quarters showed that the lease costs were about 5 to 6 percent less than the applicable LQA.

If floor space were a consideration, however, lease cost would have been considerably less than the LQA for all categories of personnel, as shown in table 3.

Table 3

<u>Type of housing</u>	<u>Units</u>	<u>LQA</u>	<u>Imputed lease costs (note a)</u>	<u>Dif- ference</u>	<u>Per- cent</u>
Senior officer residence (note b)	11	\$184,050	\$137,073	\$ 46,975	34.3
Information Agency quar- ters (note c)	9	111,300	83,659	27,641	33.0
Staff housing (note d)	<u>121</u>	<u>680,020</u>	<u>614,365</u>	<u>65,655</u>	10.7
Total	<u>141</u>	<u>\$975,370</u>	<u>\$835,099</u>	<u>\$140,271</u>	16.6

a/ we computed these costs by actual cost per square foot applied to FBO space standards and included rent, utilities, and common charges.

b/ Excludes Ambassadors and Deputy Chiefs of Mission.

c/ Excludes one vacant residence.

d/ Projection based on a random sample of 30 occupants.

This comparison does not imply that leasing is more economical than LQA, but rather that the established LQA may be overstated because floor space has not been considered in determining what the LQA should be.

The Embassy did not have actual square footage data for all 90 individuals receiving LQA, so comparison was limited to 14 individuals. The comparison shows that 11 of 14 privately leased residents had floor space which exceeded the standard by about 4 to 69 percent. Leasing costs for 7 of the 14 residences exceeded the LQA from \$46 to \$1,295. Six of these residences had more floor space than the FBO criteria called for.

Similar conditions existed at other posts we visited. In Vienna, 80 percent of the housing units exceeded the criteria. For the Government-owned housing, this included

- the Ambassador's residence,
- the Deputy Chief of Mission's residence,
- the Consul General's residence,
- 7 of 8 senior officers' residences, and
- 59 of 69 staff apartments.

A similar comparison of leased properties showed that 8 of 15 senior officers' residences and 11 of 14 staff quarters exceeded the criteria.

In comparing actual space according to family size, excluding senior officers whose space is based on representational requirement, 11 of 14 leased staff quarters exceeded the FBO space criteria.

In Washington, D.C., using the current FBO worldwide real estate property inventory book, we compared the FBO standard with 122 senior officer and 9 consul residential short-term leased units and determined that (1) 73 percent (95) of the short-term leased residences exceeded FBO criteria, (2) annual rent for the 131 properties totaled \$1.04 million, and (3) excess space of about 167,000 square feet cost an annual rental of \$217,000.

Table 4 gives examples of short-term leases that exceed FBO criteria at various posts.

Table 4

<u>Country</u>	<u>Lease number</u>	<u>Square feet</u>			<u>Annual value of excess</u>
		<u>Actual</u>	<u>Standard</u>	<u>Excess</u>	
Brazil	698629	8,835	4,015	4,820	\$9,721
Costa Rica	51187	7,000	4,015	2,985	2,814
New Zealand	36754	7,550	4,015	3,535	2,508
Austria	3025	26,200	4,160	22,040	2,118
Belgium	4711	9,682	4,015	5,667	7,718
India	80113	9,320	4,015	5,305	6,773

Other problems caused by
lack of uniform criteria

Other contributing factors which increase overseas housing costs to the U.S. Government are the lack of uniform criteria for housing individuals at the post and the fact that individuals in effect set their own criteria as to what is acceptable housing.

In Dakar, Senegal, the administrative officer told us that, when he tries to satisfy housing needs at the post, he must negotiate with the landlord and then with the family to accept the quarters being offered. For certain properties, no one would accept occupancy, but when we visited one property, it appeared spacious and acceptable.

We were told that staff preferences are highly considered in making staff housing arrangements. For example, a junior staff member was offered a house considered suitable by Embassy officials, but he was allowed to take another one that he preferred which rented for as much as a senior officer's residence.

In Buenos Aires, the leased residence of the economic counselor was vacated in November 1976, but his replacement refused the property because he considered the bedrooms too small. The property remained vacant until May 1977, when it was transferred to the U.S. Information Service. The U.S. Government thus incurred \$4,500 in rent for the vacant property plus rent for the housing the officer preferred.

Because of the lack of uniform housing criteria and a centralized review function, individuals often determine their own standards and costs are increased. We believe that the leasing and financing for all housing and space should be centralized and managed by a single State Department unit. It seems reasonable that FBO should be responsible for the leasing, funding, and approving of all housing and should be given sufficient resources to do so.

NEED TO INCREASE
GOVERNMENT-OWNED HOUSING

The Department's practice of leasing residential housing overseas is not always cost effective or in the best interests of the U.S. Government in many parts of the world. In many places, rents are escalating beyond inflation rates because of high demand and scarcity of housing units. Below are examples of rents paid by the Department in the last 2 years.

<u>Country</u>	<u>Type of property</u>	<u>Annual rental</u>
Algeria	Staff residence	a/\$59,693
Kuwait	Staff residence	34,914
Nigeria	Senior officer residence	44,250
Saudi Arabia	Staff residence	42,553
Oman	Officer residence	42,105

a/ Based on an initial payment of \$89,540 covering an 18-month period.

In some countries, landlords demand and get rents 5 years in advance. State Department staff is usually stationed in a country permanently, so ownership would seem to be one way of controlling sharply rising rents.

The posts have not conducted housing cost-benefit analyses to determine whether it would be less costly to own or lease or to provide LQA, although they have the greatest influence in determining how housing will be provided. Various plans have been proposed to construct or purchase housing to offset rising leasing costs, but they are not backed up with cost-benefit analyses. We were told that making such analyses is beyond the capability of most post housing officials.

In Brussels, the Department of State has permanent staff, and housing construction and purchases are viable alternatives. In the following two examples, our analyses show that leasing is more costly than other alternatives. We believe cost-benefit analyses could be of great value to the Department's housing investment decisions.

For our analysis, we selected a senior officer's residence, which like many others, had been rented on short-term leases since NATO transferred its operations to Brussels in 1967. The cumulative rent paid through 1977 was \$123,546. Without questioning the validity of this decision, if this property were rented for 12 additional years the present value of the rental payments, discounted at 7 percent (see p. 30) would be \$158,840. According to a local real estate firm, residences suitable for Embassy officials could be purchased in the range of \$103,200 to \$154,800.

A second analysis shows construction to be a less costly alternative. The Embassy has been seeking new Marine quarters for over a year because its lease expired

in November 1977 and the quarters are inadequate. The Embassy has contacted an investor willing to construct and lease Marine quarters, including storage and heating rooms, totaling about 5,333 square feet. The Embassy plans to short-term lease the building from the contractor for 9 years with 2 renewal options of 9 years each. The annual rent is expected to be about \$70,270 a year for the first 9 years and about \$30,000 a year thereafter. The present value of this rent during the first 12 years, discounted at 7 percent, is \$500,618, and at the end of 27 years, it would total \$621,968. It would cost about \$112,600 less to construct the building than to lease it for 12 years, even without considering the building's residual value. The total leasing costs for 27 years under the present rent value would be about \$234,000 more than construction costs.

FBO actions to obtain housing

FBO estimates that roughly \$750 million would be required to purchase housing to accommodate State Department employees overseas; however in those parts of the world where rents are reasonable, ownership would not be desirable immediately.

In March 1977, FBO started preparing a \$20 million fiscal year 1978 supplemental appropriation request as part of a proposed \$100 million capital fund to acquire or construct housing in foreign countries that have extreme shortages and excessive rents. Although the request was approved, it was divided equally between fiscal years 1978 and 1979. We believe this is a move in the right direction if the purchases are backed by adequate cost-benefit studies and ownership will save the Government money through lower LQA costs and corresponding offsets in salary and expense money spent for leasing.

We reviewed a sample of the data in the analysis FBO used in supporting its supplemental request. The analysis included all relative and projected costs of purchasing or leasing a property and how over a period of years these costs will be influenced by inflation, exchange rate fluctuations, and costs of borrowing money. The actual or projected cost for each year is deflated to a constant and then discounted at a given rate. The data used in the analysis included the highest costs for leases. The payback period for these properties ranges from 1.6 to 25 years and averages about 10 years. These calculations appear to be

reasonable, and they show that ownership of these properties would save the Government substantial housing costs in the long run.

CONCLUSIONS

Management of the State Department overseas residential housing program is fragmented among the posts, the geographic bureaus, and the FBO. The present system does not use centralized leasing policies, adequate criteria, or a centralized review. This results in increased housing costs because employees are provided with housing that exceeds reasonable space standards and applicable LQAs.

All overseas real property leasing should be consolidated and centralized in FBO in order to provide for a centralized review, control of runaway rent costs, informed lease versus purchase decisions, and lease standards and criteria flexible enough to adapt to local conditions. This increased FBO workload could be accommodated by shifting Bureau personnel currently assigned to lease-related functions to FBO.

The Department of State has initiated action to seek congressional approval for a capital fund of up to \$100 million to acquire or construct housing in areas of extreme housing shortage and excessive rents. In March 1977, FBO started preparing a request for a \$20 million fiscal year 1978 supplemental appropriation for housing. As noted above, the request was approved.

We reviewed a sample of the data in FBO's analysis for determining whether a property should be purchased or constructed rather than leased in conjunction with the capital fund concept. These calculations appeared to be reasonable and reflect an average payback period of about 10 years.

RECOMMENDATIONS

We recommend that the Secretary of State:

1. Centralize in the Office of Foreign Buildings the funding and control of the Department's overseas housing.
2. Develop, disseminate, and use uniform criteria for reviewing and approving all leases.

3. Review all present and future leases to ensure compliance with applicable space criteria and standards.
4. Develop a program to provide real estate managers at the overseas posts with formal training and expertise for their positions.
5. Develop informative cost-benefit analyses to support the capital fund concept and to determine whether it would be less costly to own or lease housing or to provide living quarters allowances.

AGENCY COMMENTS

The Department of State made the following comments on the recommendations. (The numbers correspond to the recommendations as listed above.)

1. "The Department recognizes the need for centralized management of, and reporting on, overseas housing needs. Action has been initiated to transfer short-term leasing functions to FBO, consolidating these functions with FBO's current responsibilities for Government-owned and long-term-leased properties. The transfer is scheduled for October 1, 1978."
2. "The Foreign Affairs Manual now contains uniform regulations on leasing procedures. FBO will amend these regulations to include housing space criteria. When the short-term leasing functions are transferred to FBO, it will be simpler to administer the revised and strengthened regulations on a uniform basis."
3. "When FBO assumes the short-term leasing responsibilities, an early priority will be the review of existing leases in relation to FBO space criteria. We plan to have leasing officers travel extensively in the first year or so to obtain a better understanding of, and data for, space standards in the various geographical areas and to assist posts in the enforcement of FBO standards."

"It should be pointed out, however, that uniform application of these standards is not always possible or desirable. This is particularly true in hardship posts where increased housing space is needed to compensate for the lack of amenities in the post city. It is also true in those cities where there is no middle ground between small houses with inadequate facilities and houses in excess of FBO space criteria but which do contain the amenities expected by American employees."

4. "The Foreign Service Institute [FSI] is making a basic revision in its administrative training program. It has already established a budget and fiscal course in which B&F [Budget and Fiscal] officers are placed in simulated office situations and given actual problems. Classroom and counseling assistance is also used in the program. Thus, when the officers arrive at their posts, they will have had the training and on-the-job experience needed to handle post problems.

"FSI is planning to expand this concept over the next year to provide similar on-the-job-type training for General Services Officers. This program is being coordinated with FBO. The work assignments will include:

- "1) Negotiation and administration of leases;
- "2) Management of real property, including scheduling preventive maintenance and the performance of basic maintenance operations;
- "3) Development and use of property management data;
- "4) Employment of FBO procedures in meeting posts buildings requirements; and
- "5) Communication with FBO and other Departmental offices."

5. "See comment on * * * [recommendation number 1 on page 32] on this same issue. These analyses will also include comparisons with living quarters allowances."

CHAPTER 4

PROPERTY IMPROVEMENTS, MAINTENANCE, AND REPAIRS

State Department-owned and long-term leased properties are not maintained and managed properly because of (1) lack of technically qualified personnel to make inspections, (2) weak maintenance criteria and priorities, and (3) serious deficiencies in information flow by post and FBO property managers. Consequently, Government maintenance and repair funds are spent to rehabilitate neglected properties, costs escalate because of delayed maintenance, unit property values diminish, and funds are used to operate and maintain uneconomical buildings.

Good maintenance is based on sound criteria and priorities developed by technical personnel and clearly understood by all property managers, periodic inspections of properties, scheduled cycles of preventative maintenance, proper cost information for post and FBO property managers, and followup.

Our review at FBO and at posts in Europe, the Far East, and South America disclosed that the overseas properties are not maintained efficiently and methodically because responsible post property management officials do not systematically follow a preventive maintenance schedule. They do not clearly understand and use maintenance and repair criteria nor establish maintenance priorities on U.S. properties to preserve the condition of a property to avoid deterioration and subsequent need for later major repairs.

The estimated maintenance and repair budgets for fiscal years 1976, 1977, and 1978 was about \$8 million, \$9 million, and \$11 million, respectively, for U.S. properties and about \$2 million, \$3 million, and \$3 million for short-term leased properties.

MAINTENANCE AND REPAIRS

State Department regulations separate maintenance and repair into (1) routine maintenance, covering the "normal run of work" necessary to preserve or restore a property, and (2) special maintenance, covering projects which are not routine. Major repair projects have no

funding limits but are normally handled under special maintenance and require FBO approval. Most maintenance and repairs on FBO properties are categorized as routine.

Inspection

Systematic and periodic property inspections and evaluations by technically qualified personnel are not made at the posts, which results in maintenance neglect. Management and evaluation of real estate owned or leased by the U.S. Government is the responsibility of the General Services or housing officers, most of whom have no background or training in real estate management or evaluation of real estate deficiencies. The officers told us they were briefly lectured on real estate subjects at the Foreign Service Institute at one time or another prior to overseas assignments.

Most GSOs believe they have the experience or capability for the day-to-day requirements of their jobs but not the expertise to develop and recommend changes for improving or better maintaining and using properties. They believe someone from Washington who is aggressive and independent of senior officers should periodically make systematic inspections, recommend changes, and help to obtain funding for maintenance projects. We were told that visits from FBO technical personnel are infrequent. Thus, technical expertise is not systematically available to the posts.

An experienced administrative officer said that FBO should have a person assigned to the field who has technical expertise in engineering construction and real estate management so that he can "speak the language" of real estate, construction, and maintenance. He stated that the current FBO area officers can do little more than he can do himself and that good field technical personnel could better estimate, justify, and evaluate post maintenance requirements. These estimates and evaluations would be given a higher degree of believability and would possibly receive greater attention in Washington.

LACK OF CRITERIA AND PRIORITIES

FBO and the overseas posts we visited have no specific criteria or system of priorities to better use limited resources for repair and improvement projects. Property managers at overseas posts may not place the proper priorities or have criteria for judging where the limited resources for maintenance and repairs should be spent.

When we discussed maintenance and repair criteria and priorities with property managers, we were told that no guidelines are used nor has FBO issued such guidelines; therefore post management officials decide what will be done as best as they can.

For example, Embassy officials in Brussels told us that there are no specific criteria or priorities for developing maintenance or repair projects. The priority given a project generally depends on the GSO or maintenance supervisor's perceived need for the project or the importance of the officer requesting the project. For example, a home repair project requested by a senior officer or his spouse would generally be given top priority and seldom refused. As a result, maintenance staff personnel often undertake work they perceive as being unnecessary and solely for the convenience of the officers.

In Vienna, the property managers also said there were no specific criteria or priorities for developing maintenance and repair projects. There are no well-defined priorities; emergencies are handled as they arise. The maintenance and repair staff will usually try to satisfy requests from senior officers even if it means having to reschedule other work that may be just as important. Emphasis on satisfying senior officials sometimes becomes excessive.

In Rio de Janeiro, officials said there is no distinction made between minor capital improvement projects, special maintenance and repairs, and regular maintenance projects.

In Nigeria and Senegal, Embassy officials said there are no standards for assigning priorities.

In Buenos Aires, Embassy officials said there is no requirement that FBO funds allocated to the post for maintenance and repairs be used exclusively on the projects as shown in their budget, although a detailed budget is submitted to justify obtaining the funds.

Thus, discussions with Embassy property managers indicate that the criteria and priorities are not clearly understood and used by the post real estate managers to properly maintain U.S. properties.

- - - - -

Since maintenance and repairs funds are limited and there is scant guidance, we found strong indications that required maintenance was delayed, neglected, or ignored.

For example, Kaduna, Nigeria, mission officials said that FBO has been slow in providing funds to make necessary repairs to two U.S. Government-owned properties used as staff housing. In September 1976, the Embassy informed FBO that both properties were totally uninhabitable in their present state and require extensive renovation from the ground up. The occupants of both residences have been moved to short-term leased properties (at additional cost to the U.S. Government) until a decision can be reached to either repair and retain or dispose of the properties. During mid-1977, mission officials requested the FBO project supervisor assigned to the new chancery construction site to make a technical analysis of the needed repairs.

Dakar, Senegal, post officials said that the Ambassador's residence has deteriorated to the extent that within 6 months to a year it will become uninhabitable. FBO will have to lease a residence for the Ambassador for 1 to 1-1/2 years to allow for needed repairs. Documents at the post indicated that from December 1969 to February 1977 the post notified FBO of cracks, some as wide as 1 inch, in exterior and interior walls; extensive electrical wire damage that caused the wiring in one wall to snap; and waterpipe damage that caused extensive water leakage that lasted for almost 7 months.

In Buenos Aires, the Embassy requested \$50,000 in January 1977 to rehabilitate an unoccupied building, stating that the shell of the building is about the only asset the Embassy has at that location. The property was neglected and not used; none of the plumbing or electrical wiring is usable, ceilings are extremely damaged, and new flooring is required.

Also in Buenos Aires, the property management official said that the Ambassador's residence needs major repairs and that to bring it up to acceptable standards would cost about \$2 million to \$2.5 million. We toured the residence and observed large cracks in the exterior and interior walls, moisture on ceilings in several rooms, a sunken floor, and several rooms in need of painting and restoration. We previously reported this residence as being uneconomical to maintain and operate. FBO had agreed, but, now 9 years

later, FBO is still deciding whether to retain or dispose of this old structure.

In Tokyo, State Department documents indicated that several U.S. Government-owned properties had deteriorated considerably and showed signs of serious neglect. These properties include senior officers' quarters, the Deputy Chief of Mission's residence, and a Foreign Service Institute language-training building.

COSTS NOT ACCUMULATED

We found at the posts we visited that the Embassies do not keep records which would enable them to readily account for the improvement, maintenance, and repair projects that have been undertaken or the source and amount of funds used to complete each project; thus they lack financial management information to determine whether their properties are economical to operate and maintain.

Information concerning projects undertaken and property costs are kept in a variety of localities within the General Services or budget and management offices at the posts.

Overall financial records on improvements, maintenance, repairs, and operation costs are maintained in the budget office. Specific financial information is frequently not readily accessible and, in order to identify the costs associated with improvement projects, individual obligation documents must be reviewed in detail. This is very time-consuming, so Embassy personnel rarely request information on improvements that have been undertaken.

Cost data maintained by the budget office on improvement, maintenance, and repairs is generally limited to materials and work contracted out and does not cover labor provided by the Embassy maintenance staff. The maintenance staff is managed by the General Services Office and usually provides most of the labor for Embassy improvements, maintenance and repairs. For example, in Brussels, fiscal year 1976 maintenance staff costs were approximately \$220,000 and in Vienna, 1977 costs were about \$207,000. Although this staff provides the bulk of the labor for maintenance and repair projects, these costs are not combined with the budget and finance office's accumulated operating costs in a manner that allows the Embassy property manager--the GSO--to determine what a property costs to maintain. Consequently, we believe that the Embassy property managers are unable to

make adequate and informed management decisions. For example, in Brussels, the manager was unaware of the high electric bills at a senior officer's residence where nine electric hot water heaters have been installed (five initially and four later). The electric bill for that residence was \$9,563 during calendar year 1976.

OTHER PROBLEMS

The Embassies frequently make repairs and improvements to leased properties as the need arises, although in some instances they are either the landlord's responsibility or are prohibited by Department regulations. We were told that these repairs and improvements were generally justified on the basis of expediency or pressure from senior officials. Congressional authorization is required for all property construction projects costing \$40,000 or more.

For example, in Brussels, improvements were being made to a short-term leased senior officer's residence without Washington approval. These improvements appear to violate the Department regulation which specifies that "generally, there is a prohibition against improvements of privately owned property held under short-term lease, except in extraordinary circumstances advantageous to the U.S. Government." The GSO and maintenance supervisor said that major work has been undertaken in two senior officers' residences; the GSO added, however, that the work was performed by Embassy maintenance staff through a series of small projects and, therefore, could not be categorized as major improvements. The work included major carpentry, electric, and plumbing improvements at both residences, such as enlarging the kitchens, renewing driveways, and remodeling an attic to store personal furniture. These officials estimated that the work cost the Embassy about \$200,000 in maintenance staff salaries.

In Vienna, the post and FBO appeared to circumvent the State Department regulation by incrementally funding a major construction project as several small projects. In fiscal years 1976 and 1977, one floor of Embassy-owned office space was converted for the use of the American consulate and the Immigration and Naturalization Service at a total cost of \$83,213. In the request for the project dated March 1976, the Embassy asked for \$55,000, and justified the project by claiming an annual savings in rent of more than \$65,000.

FBO initially held the proposal in abeyance until an inventory of available space could be completed. Using stronger language, the Embassy cabled FBO requesting the project again and followed it by a telephone call during which agreement was reached on a project proposal. According to the agreement, the Embassy reduced the proposal to a \$40,000 minor improvement project and submitted a second proposal for \$17,560 to install a security barrier between the consular personnel and the waiting area. This proposal was approved.

Other types of maintenance and repair problems include the use of salary and expense funds to rehabilitate or make considerable repairs to short-term leased housing for senior officers, generally referred to as "set-up costs." There appears to be excessive investment in these types of projects although the Government does not own the properties. For example, set-up costs for a property in Manila amounted to over \$30,000, while another example in Africa shows that set-up costs were over \$20,000. Because there is no cost accounting method for collecting such costs systematically, we do not know how extensive this practice is. However, it seems unreasonable to invest substantial amounts of money in short-term leased properties which may have to be vacated after a short period of occupancy.

CONCLUSION

U.S. Government-owned and long-term leased properties are not properly maintained and managed due to inadequate property information, maintenance criteria and priorities, and inspections. Consequently, maintenance and repair funds are spent to rehabilitate properties which have deteriorated because of neglect, maintenance costs increase because of delays, unit property values diminish, and uneconomical buildings are operated because managers lack complete and proper cost information.

RECOMMENDATIONS

We recommend that the Secretary of State establish (1) sound maintenance criteria and priorities that have been developed by technical personnel and are clearly understood by all property managers, (2) periodic property inspections, (3) a scheduled cycle of preventive maintenance, (4) proper cost information available to post property managers and to the Office of Foreign Buildings, and (5) followup procedures needed to maintain the properties in good condition.

AGENCY COMMENTS

The Department of State commented on the recommendation by saying:

"FBO has sent a circular airgram to all Foreign Service posts delineating preventive maintenance actions to be taken on buildings, grounds, and equipment and stating the frequency of these operations. A handbook, providing additional detail, is being prepared for all posts. In addition, the Department continues to work on the development of a comprehensive automated accounting system.

"If FBO Regional Offices were established, they would have technical personnel to make periodic property checks and to resolve technical problems."

CHAPTER 5

MANAGEMENT INFORMATION SYSTEM

Good property management requires a complete and accurate inventory of properties and a system for maintaining costs for individual properties.

FBO has not been successful in implementing a real property accounting and management information system. Although more than 8 years have passed since we first addressed the subject, a reliable system is not yet in place.

Our report of September 30, 1969, recommended that the Department of State improve its real property management. The Department agreed with our finding but directed its efforts toward developing a property management information system rather than centralizing property management.

In a followup report issued on March 28, 1974, 1/ we stated that the Department had been slow in establishing a property management information system, modifying the property accounting system, and providing overseas property managers with definitive guidelines and criteria. The report stressed the need to establish an accurate property accounting and management information system.

Although the Department recognizes the need for a management information system, as of late 1977 it did not have in operation a reliable inventory of U.S. Government-owned and leased real properties nor a property accrual accounting system. A Department management information specialist stated that it will be at least 5 years before a reliable system is fully operational.

The Department has been reviewing and refining its Real Property Accounting and Management Information System. A chronology of its efforts to improve real property management includes the development of a property information plan (1970); a plan to develop an outline of the accounting system design (1972); the establishment of an automated Real Property Accounting and Management System (AIMS)

1/ Some Progress In Improving Management of Government-Owned and Leased Real Property Overseas (B-147782).

umbrella (1973); a survey of the Real Property System (1974); and the preparation of a document entitled "Real Property Accounting and Management Information System" (1974, 1975).

The system is intended to provide a reliable automated inventory and cost data for all U.S.-owned and leased properties abroad.

In early 1976, a real property accounting and management information system had been designed encompassing three subsystems.

- Real Property Inventory Control and Cost, to provide inventories with descriptions and cumulative costs on an accrual basis for all Government-owned and leased real property worldwide. (See p. 38 for information on costs.)
- Buildings Management Information, to provide uniform work orders and cost categories for maintenance and repairs.
- Revised Allotment, Budgetary and Accrual accounting, to provide a status of funds, obligations, liquidations, and accrued expenditures.

The system was to provide automated reports, inventories, and cost to FBO management; reports on real property to other agencies; and budget estimates and backup.

FBO PROPERTY INVENTORY FILE

FBO has tried to establish a real property inventory file to serve as a data base for the above subsystems. Posts were advised of the new system and given instructions and partially completed records covering Government-owned and long-term leased properties based on information available in Washington. The posts were asked to complete these records and to prepare new records for short-term leased properties. Except for those of certain pilot posts, all completed records were reviewed by FBO before they were processed.

Lack of support by posts

Numerous problems have been encountered with the data submitted by the posts, because the posts have not understood the instructions, have sent incomplete and erroneous

data, or have failed to submit data. FBO has completed the initial coding of Government-owned and long-term leased properties and of most short-term leased properties. FBO has little control over short-term leases and, therefore, has no way of knowing whether all of them have been included. A more recent problem that has surfaced is that the posts, while putting changes directly into the computer centers, did not follow coding instructions, which caused numerous errors.

According to top FBO management officials, FBO's property books, dated September 30, 1976, were not a reliable management tool because they contain an overall error rate of about 20 percent, or about 33,000 coding errors.

FBO recognizes that a basic property inventory file should have been fairly simple to establish and attributes the problems to the following factors.

- Data requested exceeded previous reporting requirements and was not readily available, therefore requiring extra work for the post.
- Instructions were cumbersome, complicated, and vague, as evidenced by the fact that only two posts submitted complete and correct data.
- Posts did not perceive any short-range benefit from the project.
- Normal workload and capacity of post personnel had an effect upon the accuracy of the submissions.

GAO test of FBO property book

FBO's inventory of real property did not reflect numerous properties reported by the missions to the regional bureaus and to us during our visits. Its property books include properties that were not reported to the regional bureaus or to us. Table 5 contains a sample comparison of property data for several countries.

Table 5

<u>Country</u>	<u>Properties not in FBO Property Book but reported by missions to Regional bureaus</u>		<u>Properties in FBO Property Book but not reported by missions to Regional bureaus</u>	
		<u>GAO</u>		<u>GAO</u>
Austria		22		1
Kenya	4		7	
Nigeria	13	27	4	4
Senegal	2	48		4
Togo	2			
Zaire	9		36	

CHANGE IN PLAN

In early 1977, FBO's plan to develop an integrated system tied to the allotment accounting program was changed to a system intended to meet the needs of FBO and the regional bureaus. FBO considers this separation necessary in order to salvage data collected over the past several years. It points out that, while being separated from the Buildings Management and Accrual Accounting subsystems, the Real Property Inventory can provide these other subsystems with property numbers which are the common element that can be used to link the various subsystem files when implemented.

Top FBO management officials stated that several problems must be solved in order for the plan to be carried out. The increased workload would make additional staff necessary. Post responses to FBO directives should be handled by the General Services Officers, as they are directly involved in real estate matters. In the past, responsibility for such responses has been fragmented. Presently all but six posts report directly to FBO, which believes that all posts should be required to report to it. In the past, many posts have not complied with FBO's request for real estate information and FBO believes that their maintenance and repair allotments should be withheld until they comply.

FUTURE PLANS

FBO has made a preliminary study of the various functions and operations within its programs which could be automated over the next 3 years. Among items under consideration are construction-engineering problems, real

property inventory, generator inventory, furniture and furnishings inventory and purchases, status of design and construction projects, and change orders for construction contracts.

CONCLUSIONS

Over the years, FBO has planned to establish a real property management information system to provide inventory and cost data for management decisionmaking and to serve as a base of other subsystems. Some posts, however, submitted no data or incomplete and erroneous data or failed to understand instructions, so FBO's property books were not reliable and reflect an overall error rate of about 20 percent, or about 33,000 coding errors as of September 1976. Our test of FBO's property books revealed numerous inconsistencies when compared to data at the posts and bureaus.

To obtain some degree of benefit from its data collection efforts over the past several years, FBO changed its plan to develop an integrated system to a system intended to meet its needs and those of the regional bureaus. However, FBO believes that subsequent linking of subsystems can be achieved through property numbers generated as part of the revised real property inventory. Several problems, including need for additional staff, better post cooperation, and uniform reporting, must be addressed before the plan can work effectively. Department officials believe that it will be at least 5 years before a reliable management information system is in operation.

FBO studies of agency functions and operations which could be automated over the next 3 years include construction engineering problems, real property inventory, generator inventory, furniture and furnishings inventory and purchases, status of design and construction projects, and change orders for construction contracts.

RECOMMENDATIONS

we recommend that the Secretary of State:

1. Direct overseas posts to properly submit real property inventory information to the Office of Foreign Buildings.
2. Assure a proper level of staffing within the Office to carry out its property management functions.

3. Have all posts report real estate information directly to the Office in order to provide control over all properties.
4. Reduce fragmentation by having all real estate matters at the posts assigned to the General Services Officer.
5. Have the missions establish and maintain a simple ledger-card cost accounting system on a property by property basis until the automated property inventory system is completed and operating acceptably.

AGENCY COMMENTS

The Department of State commented as follows on the recommendations. (The numbers correspond to the recommendations as listed above.)

1. "In the past year FBO has taken over full responsibility for submission, editing and assembly of the real property inventory data. FBO has instructed all posts on proper and timely submission, has worked with a number of posts on updating and correcting their submissions. The result, contrary to the report is that the system as modified by FBO is working and in fact, the 1977 property inventory printed in January of 1978 has an error rate of less than 4 percent. It is from this information data base that FBO intends to build its management system which will include various cost factors, such as rents, utilities, maintenance and repair, etc. FBO intends to work closely with the posts in creating a system which will be both beneficial and effective for both FBO and post management to identify cost trends, lease renewals, property conditions and values.

"In sum, the real property inventory system has been designed and is operating. Improvements will be made as we gain experience working with the posts in the future. Further, the cost system is being developed to assure that we have an administrative management tool that will provide actual data regarding performance and assist in determining needs for the future."

2. "For FY 80 FBO has requested ten additional positions it feels are vital to respond adequately to its present and future responsibilities. Five of these, as indicated, are regional positions."
3. "Posts are now under instruction to report real estate information directly to FBO. Additionally, the Department's telegraphic branch provides FBO with copies of all communications relating to building matters even if FBO is not the action office. When the short-term leasing responsibilities are transferred to FBO, it is probable that posts will be more likely to direct all their real property information and requests to FBO."
4. "The Department agrees that all real estate matters at Foreign Service posts should be assigned to the General Services Officer (or the Administrative Officer, where there is no GSO assigned), and FBO will ask that the posts be so instructed."
5. "The Department will examine the temporary use of ledger cards for cost accounting purposes to determine the workload this would impose upon Foreign Service posts. The Department will also explore the possibility of accelerating automation of its cost accounting system to avoid adding a heavy workload on the staff at overseas posts."

OUR EVALUATION OF AGENCY COMMENTS

As noted in recommendation number 1 above, the Department stated that the 1977 property inventory record printed in January 1978 has an error rate of less than 4 percent. We attempted to determine how FBO arrived at this inventory error rate of less than 4 percent. FBO officials stated that it is an estimate made by them based on information contained in their current property book rather than a calculated and documented percentage.

We compared the September 1976 FBO inventory book used during our field work, and the newly published inventory September 1977 book. We noted numerous differences between these inventories and were told these could not be easily reconciled.

We noted that there was an improvement in the September 1977 inventory; however, we believe that the property inventory books still contain many errors and need improvement to be a reliable management tool. For example, area officers are responsible for properties in their geographic areas. One officer could not explain why several properties appear in the new inventory book but are not in the original inventory books we looked at during our review or why several properties appear in the original inventory book but are not in the current inventory books. Another area officer said that several properties erroneously had not been included in the current property books and a warehouse in his area has never been included in any property books. While another area officer stated that a site and building in his area has not been included in any property books. Another area officer agreed that the current property books still contain a number of errors, which affects the use of the books as a good management tool.

CHAPTER 6

AESTHETIC QUALITIES OF EMBASSY BUILDINGS

FBO uses a practical method to critique and improve new designs for Embassy buildings submitted by commissioned architects to FBO for overseas construction. Consequently, design improvements, building aesthetics, and most other architectural factors are considered and generally incorporated into the new buildings.

The Architect Design Panel is FBO's mechanism for reviewing building designs. It is composed of qualified and professionally competent architects who serve as FBO's consultants and are guided by the State Department's architectural policy. The Panel reviews, criticizes, and advises FBO concerning the design of the new building.

In 1953, the Department of State established a small honorary Panel of eminent and representative American architects to advise on architectural matters relating to the Foreign Building Operations program.

This group now has 3-year rotating memberships, which over the years has included many of America's most outstanding architects. The members each year make recommendations to the Department for new members, selecting prominent architects from private practice and from the academic field to provide the Department with the best possible balance, considering both geographic location and design experience.

TYPES OF PERSONNEL ON PANEL

From 1953 to 1977, 24 qualified and accomplished persons in the design field have served on the architect design panel. These individuals are respected in their profession for their work and achievements. They are generally graduates of recognized architectural schools and range from owners, partners, chief architects, or designers in successful architectural firms to consultants, design critics, Deans of schools of architecture, professors, assistant professors, authors, and architect critics. Thus, the Panel consists of some of the best architectural talent available to review and suggest improvements for proposed new Embassy buildings.

FUNCTION OF PANEL

The main functions of the Advisory Panel are to:

1. Recommend the most appropriate style of architecture, consistent with the architectural policy of the State Department, for the respective projects of the Foreign Buildings Operation program.
2. Review and advise on architectural quality and fitness of the designs submitted by the consulting architect for each project of the program.
3. Advise the Department to ensure that the design of U.S. representational buildings abroad are pre-eminent by accepted aesthetic and practical standards, consistent with the Department's architectural policy.

DEPARTMENT ARCHITECTURAL POLICY

The Panel is guided by State Department architectural policy, which in October 1953 was stated as:

"The policy shall be to provide requisite and adequate facilities in an architectural style and form which will create goodwill by intelligent appreciation, recognition and use of the architecture appropriate to the site and country. Major emphasis should be placed on the creation of goodwill in the respective countries by design of buildings of distinguished architectural quality rather than adherence to any given style of architecture. Design shall adhere to established good practice and, to the extent practical, use construction techniques, materials and equipment of proven merit and reliability."

This policy was revised and updated in January 1962 to read:

"To provide requisite facilities in an architectural form which will represent the dignity of the United States and create goodwill by its appropriateness to site and country. Ostentation shall be particularly avoided. Design

shall adhere to established construction practice and shall utilize materials, methods and equipment of proven dependability. Building shall be economical to construct, operate and maintain."

PANEL'S METHOD OF OPERATION

The Panel meets periodically at FBO headquarters with FBO officials. The meetings consist of reviews and critiques of proposed new building projects and detailed reviews of designs submitted by commissioned architects. Here suggestions are made to improve or modify the designs. All subject areas of architecture are considered.

We reviewed a substantial number of the minutes of Panel meetings covering a number of proposed buildings. The Panel covered most architectural aspects of a new building, including structural details, "quality of life" in the new building, economics, aesthetics, and functional appropriateness of the building. It also considered how well the proposed building would blend with surrounding structures in the location where it will be constructed.

In addition, the Panel also recommends a number of architects that it believes are qualified to be commissioned to design future new FBO buildings. We were told that, from the list submitted, FBO conducts interviews and, after appraising of the interviewees selects one to design the building. FBO attempts to commission a different architect for each project; however, we noted that over the years some architects had been commissioned for more than one project. Although we found no evidence of favoritism in the final selections, we believe that FBO could strengthen its final selection process by documenting how it arrives at the final choices for architects and the reasons for these choices. This documentation should be part of the official project file.

HOST-COUNTRY REVIEW OF NEW U.S. EMBASSY DESIGNS

In the countries we visited, the host governments usually have no formal programs for reviewing proposed Embassy buildings for aesthetic purposes. They usually will approve any reasonable structures and will not interfere in the building designs so long as the facilities blend with surrounding structures. In some countries where the proposed buildings are to be constructed

in "protected or historical" areas of the city, the host governments generally desire buildings that are architecturally similar.

In all countries we visited, however, the building plans are submitted to local zoning or other government units for review and conformance to local building codes for electrical, plumbing, and other mechanical systems as well as strength and stress factors for the new structure.

CONCLUSION

We believe that FBO's use of the experience and talents of accomplished architects on an architect design review Panel to pass on the design of a new building seems to be an adequate approach.

RECOMMENDATION

We recommend that the Secretary of State instruct the Office of Foreign Buildings management officials to document, as part of the project file, how and why any particular architect is selected to design State Department building.

AGENCY COMMENTS

The Department of State commented on the recommendation by saying that:

"FBO management officials have been instructed to document, as part of the project file, the reasons for selecting the architect for each major project."

PRINCIPAL OFFICIALS RESPONSIBLE FOR ADMINISTERING
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE:		
Cyrus R. Vance	Jan. 1977	Present
Henry A. Kissinger	Sept. 1973	Jan. 1977
ASSISTANT SECRETARY FOR		
BUREAU OF ADMINISTRATION:		
John M. Thomas	ec. 1973	Present
DEPUTY ASSISTANT SECRETARY		
FOR FOREIGN BUILDINGS:		
William L. Slayton	Jan. 1978	Present
Paul R. Serey (Deputy Director in Charge)	July 1977	Jan. 1978
Orlan C. Ralston	Sept. 1973	July 1977